## **Severance Tax - Oil and Gas**

If an oil and gas well is located near the Colorado border with another state, does Colorado tax the oil and gas that is severed by wells located in Colorado or does Colorado tax the oil and gas that is severed from Colorado by wells located in any state?

Colorado severance tax is due on any oil and gas severed from Colorado by a well. It does not matter whether the well head is located in Colorado or another state. If the reservoir that is being drained by the well extends into another state, the production would be allocated to each state. The producer must use estimates of how much oil and gas is extracted from Colorado to determine the amount taxable in Colorado. The technique for estimating production will be similar to that used in developing unit agreement or communitization agreement allocations.